



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

October 5, 2006

OIL AND GAS DOCKET NO. 03-0248656

APPLICATION OF STRAND ENERGY, L.C. TO CONSOLIDATE VARIOUS NEW ULM FIELDS INTO THE PROPOSED NEW ULM (WILCOX CONS.) FIELD AND ADOPT FIELD RULES FOR THE NEW ULM (LWR WILCOX CONS.) FIELD, AUSTIN AND COLORADO COUNTIES, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: September 26, 2006

APPEARANCES:

Cary D. Brock

REPRESENTING:

Strand Energy, L.C.

EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

This is the unprotected application of Strand Energy, L.C. for the Commission to consider consolidating 28 New Ulm Fields (see Attachment "A") into a new field designation to be known as the New Ulm (Lwr Wilcox Cons.) Field. It is proposed that the following special field rules be adopted:

1. The entire combined correlative interval from 8,370' to 10,770' as shown on the High Resolution Induction Spectral Density, Dual Spaced Neutron log of the Strand Energy, Yelderman Lease Well No. 2 (API No. 42-015-30909), A. Kuyendall, L.P. Survey, A-243, Austin County, Texas, should be designated as the New Ulm (Wilcox Cons.) Field.
2. Minimum well spacing of 467'0" (leaseline/between well);
3. 40 acre gas or oil proration unit density with 10% tolerance for gas wells and 20 acre tolerance for oil wells and maximum diagonal of 2100';
4. An allocation formula based on 95% deliverability and 5% per well for gas wells and salvage classification for oil wells. It is further requested that the allocation formula for gas field be suspended.

The notice of hearing proposed a 100% AOF allocation formula for gas wells. It was pointed out at the hearing that state statutes require a multi-factor allocation formula for fields that are comprised of separate sources of supply. It was proposed at the hearing that an allocation formula based on 95% deliverability and 5% per well be adopted. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The first of the proposed fields to be consolidated was the New Ulm Field discovered in 1945 and the last field discovery was the New Ulm (10,400) Field in 1985. Only six of the 28 fields have active wells. A total of 94 wells have produced from the subject fields. Currently there are 14 active wells. Six of the fields have special field rules that provide for 320 acre density and the remainder of the fields are governed by Statewide Rules.

Consolidation of the subject fields into the proposed New Ulm (Lwr Wilcox Cons.) Field will provide for the recovery of reserves that otherwise would go unrecovered. The subject Wilcox reservoirs overlie one another. The most prolific of the fields are the sands known as the 10300; 10500; and 10600. These are relatively mature fields that are in the latter stages of pressure depletion. The sands are no longer stand alone reservoirs. Well completions in the consolidated section will allow for timely completions in those zones where sands are present which in effect lowers the economic producing limit for all the zones and will increase the ultimate recovery from each member. Basic reservoir parameters of the prolific sand are: average porosity of 14%, average water saturation of 30%, permeability of 0.1 to 1 millidarcies, average gas gravity of .71 and condensate gravity of 55° API. The entire combined correlative interval from 8,370' to 10,770' as shown on the High Resolution Induction Spectral Density, Dual Spaced Neutron log of the Strand Energy, Yelderman Lease Well No. 2 (API No. 42-015-30909), A. Kuyendall, L.P. Survey, A-243, Austin County, Texas, should be designated as the Foster (Wilcox Cons.) Field.

Proration units of 40 acres are necessary to provide for the effective and efficient depletion of the reservoir. Cumulative production from the fields are 111 BCF and 5.35 MMBO. As there have been both oil and gas wells in the past, it is appropriate to have both oil and gas rules. The downhole commingling of zones may result in greater liquid yields. It is therefore proposed that the "gas field" be classified as Associated-Prorated and not subject to 49-B allowable proration. The fields have essentially been developed on 40 acre density (Statewide Rules).

Minimum well spacing of 467'0" (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. No between well spacing is warranted because many of the wells as originally permitted were in different zones and may now be re-completed in all the zones.

A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement. The allocation formula should be

suspended as there is 100% market for all the gas from the respective fields. The oil field should be exempt from proration and classified as salvage.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The first of the proposed 28 "New Ulm Wilcox" fields to be consolidated was the New Ulm Field discovered in 1945 and the last field discovery was the New Ulm (10,400) Field in 1985.
 - a. Six of the 28 fields have active wells as a total of 94 wells have produced from the subject fields and currently there are 14 active wells.
 - b. Six of the fields have special field rules that provide for 320 acre density and the remainder of the fields are governed by Statewide Rules.
4. Consolidation of the subject fields into the proposed New Ulm (Lwr Wilcox Cons.) Field will provide for the recovery of reserves that otherwise would go unrecovered.
 - a. The subject Wilcox reservoirs overlie one another.
 - b. These are relatively mature fields that are in the latter stages of pressure depletion and the sands are no longer stand alone reservoirs.
 - c. Well completions in the consolidated section will allow for timely completions in those zones where sands are present which in effect lowers the economic producing limit for all the zones and will increase the ultimate recovery from each member.
5. The entire combined correlative interval from 8,370' to 10,770' as shown on the High Resolution Induction Spectral Density, Dual Spaced Neutron log of the Strand Energy, Yelderman Lease Well No. 2 (API No. 42-015-30909), A. Kuyendall, L.P. Survey, A-243, Austin County, Texas, should be designated as the Foster (Wilcox Cons.) Field.
6. Minimum well spacing of 467'0" (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. No between well spacing is warranted because many of the wells as originally permitted were in different zones and may now be re-completed in all the zones.

7. The "gas field" should be classified as Associated-Prorated and not subject to 49-B allowable proration.
8. A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement.
 - b. Because the allocation formula is currently suspended in the respective fields (except the one field with no producing wells) it is proposed that the allocation formula be suspended in the consolidated field as there is a 100% market for all the produced gas.
9. The oil field should be exempt from proration and classified as salvage.

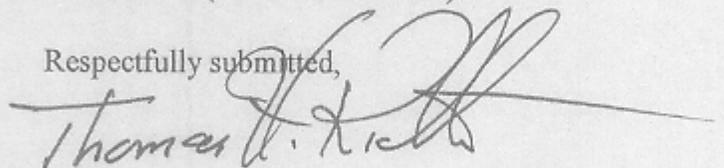
CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration for consolidation of fields and field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and field rules for the New Ulm (Lwr Wilcox Cons.) Field.

Respectfully submitted,



Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel

ATTACHMENT "A"

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>	<u>COUNTY</u>
New Ulm (Wilcox 9,200)	65248348	Austin
New Ulm (Wilcox 9,300)	65248522	Austin
New Ulm (Wilcox 9500)	65248600	Austin
New Ulm (Wilcox 9700)	65248650	Austin
New Ulm (Wilcox 9900)	65248670	Austin
New Ulm (Wilcox 10,100)	65248696	Austin
New Ulm (Wilcox 10200)	65248700	Austin
New Ulm (Wilcox 10,300)	65248754	Austin
New Ulm (Wilcox 10500)	65248780	Austin
New Ulm (Wilcox 10,600)	65248812	Austin
New Ulm (9450)	65248855	Austin
New Ulm (9700)	65248870	Austin
New Ulm (9800)	65248883	Austin
New Ulm (10400)	65248920	Austin
New Ulm, SW (9100)	65254400	Colorado
New Ulm, SW. (9200)	65254450	Colorado
New Ulm, SW. (9300)	65254460	Colorado
New Ulm, SW (9400)	65254500	Colorado
New Ulm, SW. (9450)	65254505	Austin
New Ulm, SW (9650)	65254560	Austin
New Ulm, SW (9750)	65254581	Austin
New Ulm, SW (9900)	65254700	Colorado
New Ulm, SW. (10,100)	65254750	Colorado
New Ulm, SW (10,300)	65254800	Colorado